

Message Text

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43

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 AID-20 IO-14 OMB-01 DRC-01 /151 W

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P R 221040Z JUL 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 64

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TOKYO

CINCPAC

C O N F I D E N T I A L VIENTIANE 5726

E.O. 11652: GDS

TAGS: PGOV, PFOR, EFIN, LA, US

SUBJECT: LAO FINANCIAL CRISIS

1. I MET WITH FINANCE MINISTER NGON SANANIKONE ON JULY 20
TO DISCUSS THE CURRENT FINANCIAL CRISIS.

2. NGON, WHO LOOKED A LITTLE BLEARY-EYED BUT CHEERFUL,
SAID THAT HE HAD ONLY THREE PROBLEMS:

A) HOW TO GET THE PATHET LAO TO AGREE TO A DEVALUATION;

B) HOW TO ARRANGE FOR THE NECESSARY DECREE WHICH WOULD
PRESUMABLY HAVE TO BE SIGNED TO THE DEPUTY PRIME MINISTERS
LEUAM AND PHOUMI;

C) HOW TO GET LEUAM AND PHOUMI PROPERLY AUTHORIZED TO
CONDUCT OFFICIAL BUSINESS.

3. NGON SAID THAT THE PRIME MINISTER'S DOCTORS WOULD BE
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APPROACHED TO FIND OUT WHETHER SOUVANNA WAS WELL ENOUGH

TO DISCUSS THE QUESTION OF ESTABLISHING TWO CO-EQUAL
ACTING PRIME MINISTERS AND WHETHER HE COULD SIGN A
DECREE TO THIS EFFECT. HE WAS SURE THIS COULD BE
ARRANGED. NGON THEN STATED THAT HE HAD NO CHOICE BUT
TO KEEP THE BANKS CLOSED UNTIL THE FINANCIAL CRISIS
COULD BE RESOLVED. IF THIS REQUIRED KEEPING THEM
CLOSED FOR A WEEK OR MORE THAT IS WHAT HE WOULD DO.
HE CONFIRMED THAT HE HAD TALKED TO PHOUMI, WHO HAD
ASKED FOR TIME TO CONSULT THE RUSSIANS AND TO SEE WHETHER
THEY WOULD CONTRIBUTE \$2 MILLION TO HELP DEFRAY THE
COSTS OF ESTABLISHING THE PGNU. IN ANSWER TO QUESTIONS,
NGON SAID THAT PHOUMI HAD NOT REFUSED TO SHARE RESPON-
SIBILITY FOR THE DEVALUATION BUT THAT THE PATHET LAO
WOULD CERTAINLY NOT BE HELPFUL. NGON'S PATHET LAO
SECRETARY OF STATE FOR FINANCE HAD BEEN KEPT FULLY IN-
FORMED AND HAD PARTICIPATED IN THE TALKS WITH THE IMF.
HE UNDERSTOOD PERFECTLY THE REASONS FOR THE CRISIS AND
IT SHOULD BE ASSUMED THAT HE HAD BRIEFED PHOUMI AND
SOUPHANOUVONG. THEY MIGHT WELL PUT AN ANTI-AMERICAN
OR ANTI-WESTERN TWIST ON THE SITUATION BUT BOUTSABONG
UNDERSTOOD THAT THE CRISIS WAS THE NATURAL CONSEQUENCE
OF ECONOMIC DEVELOPMENTS.
WHITEHOUSE

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